

December 2, 2011

To: Investments and Pension Oversight Committee

From: Carter Bundy and Josh Anderson, AFSCME

Re: **Pension reform ideas**

As all of you know, AFSCME has been putting forward ideas for pension reform over the last two years, and protecting the solvency and sustainability of the fund is a top priority for both our retirees and active members.

In the course of presenting many of these ideas to legislators, members, other employee groups, retiree organizations, and the PERA Board over the last few months, one piece of feedback we've consistently gotten is the need for fuller information. PERA Board members and staff, legislators, other employee and retiree groups as well as legislators have asked for an open study of PERA, and have also asked us for data as to how successfully ideas we've floated would solve our \$5 billion unfunded accrued actuarial liability (UAAL) while establishing a permanently sustainable fund.

On November 17, we requested that when PERA runs its numbers by Cavanaugh Macdonald, they include proposals we've suggested to determine what level of funding ratio is achieved over the next 20 and 30 years. We do yet know how many of our ideas, if any, are being included, but we hope to have a substantial part of those reforms analyzed in conjunction with PERA's open study. That same day, the PERA Board voted unanimously to delay pension reform for all of the plans until 2013, so they have time to both get updated, full data and to build consensus on reform.

To that end, two days after we submitted our request to PERA, the AFSCME Council 18 Executive Board unanimously agreed to support PERA's memorial to enact pension reform in 2013. A major driving factor for that decision was that some other employee groups had indicated that they would unequivocally insist on putting off reform for "their" plans until 2013. The AFSCME Executive Board felt very strongly that pension reform should not be done in a piecemeal, patchwork way, particularly since fully \$1 billion of the \$5 billion in UAAL comes from municipal public safety plans.

AFSCME's membership believes strongly that they should not bear the burden of pension reform alone while other groups wait and potentially get spared significant changes. We continue to be a willing partner with the legislature, the PERA Board, and other employee and retiree groups, but strongly do not want correctional and juvenile correctional officers to be second-class public safety members. Nor do AFSCME members feel it is fair for them to subsidize other plans and groups of employees (especially if that subsidy and disparate treatment is caused by AFSCME's willingness to recognize and address solvency issues).

Whenever pension reform occurs, we hope that the ideas we've presented will be seriously considered, particularly once data is available to help guide your decision.